

## Message Text

CONFIDENTIAL

PAGE 01 SEOUL 05364 140216Z

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ACTION EB-05

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FM AMEMBASSY SEOUL

TO USDOC WASHDC

INFO SECSTATE WASHDC 9466

C O N F I D E N T I A L SEOUL 5364

E.O. 11652: GDS

TAGS: BEXP, KTRA, KS

SUBJECT: KOREAN PURCHASING MISSION TO THE U.S.--EMBASSY COMMENTS

REF: SEOUL 5343

1. WE WERE, OF COURSE, SOMEWHAT SURPRISED AND DISAP-  
POINTED AT LIST OF PREDOMINANTLY PURCHASERS OF SCARCE  
MATERIALS HANDED US BY MCI FOR PURCHASING MISSION.  
APPARENTLY FIRMS WERE RECRUITED AT MCI MEETING OF PROMINENT  
BUSINESS FIRMS AT WHICH FIRMS WERE ASKED WHAT THEY WOULD  
BE WILLING TO BUY IN U.S. FROM CAREFULLY PREPARED POTENTIAL  
SHOPPING LIST. RESULT WAS THAT FIRMS LARGELY OVERLOOKED  
MACHINERY AND EQUIPMENT WHILE OPTING FOR MATERIALS IN  
SHORT SUPPLY.

2. AS IT STANDS, FROM LIST OF 20 PRIVATE FIRMS, 17 ARE  
INTERESTED IN SUCH MATERIALS AS WHEAT, CORN, COTTON,  
INDUSTRIAL CHEMICALS, SCRAP, SLAB STEEL, HIDES, AND  
TIMBER. ALL THESE MATERIALS ARE, WE UNDERSTAND, IN  
SHORT SUPPLY NOT ONLY IN U.S. BUT ON WORLD MARKETS.  
IN FAIRNESS, IT SHOULD BE POINTED OUT THAT THREE OF THE  
SEVENTEEN FIRMS ARE ALSO INTERESTED IN SUBSTANTIAL PUR-  
CHASES OF MACHINERY. THUS SIX OUT OF THE TWENTY PRIVATE  
FIRMS ARE POTENTIAL MACHINERY AND EQUIPMENT PURCHASES.  
BUT OUR PRELIMINARY ESTIMATE IS THAT THIS REPRESENTS ONLY  
ABOUT \$34 MILLION OF THE INDICATED POTENTIAL OF \$260 MILLION  
IN PRIVATE INDUSTRY PURCHASES LISTED BY PARTICIPANTS.

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PAGE 02 SEOUL 05364 140216Z

3. SUBSTANTIAL MACHINERY AND EQUIPMENT PURCHASES BY THE

GOVERNMENT'S TOBACCO MONOPOLY AND ROK OFFICE OF SUPPLY WOULD IMPROVE THE PICTURE. HOWEVER, IN OUR VIEW, THE MISSION, AS PRESENTLY CONSTITUTED, WOULD STILL BE SLANTED IN BASICALLY UNPRODUCTIVE DIRECTION. THIS VIEW IS HEARTILY SHARED BY IMPORTERS COMMITTEE OF AMERICAN CHAMBER.

4. MCI OFFICIALS, ON OTHER HAND, ARE PROUD OF THEIR CREATION. THEY POINT OUT THAT THEIR LIST CONSISTS OF BUYERS WHO CAN AND WILL BUY IF SUPPLIES ARE AVAILABLE. THEY HAVE EVEN WARNED US AGAINST ANY PUBLIC INDICATION THAT IN SOME CASES MISSION MEMBERS WILL BE "SHIFTING SOURCES OF SUPPLY FROM JAPAN TO THE U.S." SINCE THIS MIGHT PROVOKE REACTION FROM JAPAN, THEY ADDED, SOMEWHAT NAIVELY, THAT THEY HAD A DIFFICULT TIME PERSUADING FIRMS TO SHIFT SOURCE AND COULD ONLY DO SO BY PROVIDING ASSURANCE THAT FOREIGN EXCHANGE AND IMPORT LICENSES WOULD BE AVAILABLE FOR ACTUAL PURCHASERS.

5. UNDER CIRCUMSTANCES WE ARE PREPARED TO GO BACK TO MCI OFFICIALS AND TELL THEM THAT PARTICIPANT LIST SHOULD BE ALTERED TO DROP SOME FIRMS AND ADD OTHERS WHICH WOULD PROVIDE MORE BALANCE ON MACHINERY AND EQUIPMENT PURCHASE SIDE. WE HAVE SUGGESTED BEFORE, AND WOULD RENEW THE SUGGESTION, THAT POTENTIAL PURCHASERS CAN BE DRAWN FROM THE RANKS OF THOSE FIRMS WHICH ARE POTENTIAL RECIPIENTS OF CREDITS FROM EXIM, IBRD, ADB, ETC., AS WELL AS THOSE FIRMS WHICH ARE READY TO PARTICIPATE IN PLANNED INDUSTRIAL EXPANSION. BETTER BALANCE IN THE LIST WOULD PERMIT DIVISION INTO PRODUCT GROUPS SUCH AS TEXTILE MACHINERY AND MATERIALS, INDUSTRIAL CHEMICALS, AND MACHINE INDUSTRY EQUIPMENT. THIS WOULD ASSIST DIVISION INTO GROUPS AND SCHEDULING OF BUSINESS CONFERENCES AND PLANT VISITS.

6. WE WOULD ALSO BE PREPARED TO SUGGEST THAT PROCESS OF RECASTING PARTICIPANT LIST MAY REQUIRE AT LEAST ONE TO TWO-WEEK POSTPONEMENT IN THE MISSION'S DEPARTURE.

7. ACCEPTANCE OF THESE CONDITIONS WILL BE DIFFICULT FOR MCI BECAUSE THEY ARE ALREADY WELL ALONG IN THEIR CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SEOUL 05364 140216Z

PLANNING WITH PRESENT GROUP OF FIRMS. HOWEVER, KOREANS HAVE TAKEN CONSIDERABLE PRIDE IN THEIR WILLINGNESS TO FIELD PURCHASING MISSION WHICH WILL RESULT IN INCREASED IMPORTS FROM U.S. CONSEQUENTLY, THEY CAN BE MADE TO UNDERSTAND THAT PURCHASING MISSION WHICH FINDS LITTLE TO PURCHASE WILL NOT BE A CREDIT TO EITHER KOREA OR THE U.S. FYI: EPB ADVISES THAT LIST OF COMMODITIES FORWARDED RETEL IS STILL TO BE REVIEWED BY FINAL

INTERMINISTERIAL MEETING CHAIRED BY EPB  
PRIOR TO DEPARTURE OF MISSION. END FYI.

8. REQUEST COMMERCE GUIDANCE.  
HABIB

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